

Message Text

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ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

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XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20 INT-08 CG-00

DOT-00 COA-02 FEA-02 DRC-01 IO-14 /226 W

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R 081830Z MAY 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 7140

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY NASSAU

AMEMBASSY OTTAWA

AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN

AMEMBASSY SANTO DOMINGO

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E.O. 11652: EXEMPT

TAGS: EFIN EAID BB

SUBJ: CDB: FOURTH ANNUAL BOARD OF GOVERNORS' MEETING

SUMMARY

CDB FOURTH ANNUAL BOARD OF GOVERNORS' MEETING IN GRENADA MAY 2
AND 3 WAS MARKED BY HEIGHTENED HOPES FOR BANK'S FUTURE UNDER
NEW LEADERSHIP OF CARICOM SEC GEN WILLIAM DEMAS, WHO NOW
SCHEDULED ASSUME CDB PRESIDENCY NEXT AUGUST. MEETING SAW MANY
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GOVERNORS CRITICIZE BANK FOR FAILURE TO DISBURSE FUNDS MORE

RAPIDLY AND FOR "CUMBERSOME" ADMINISTRATIVE LOAN PROCEDURES. HIGHLIGHT OF MEETING WAS VENEZUELA'S DRAMATIC PLEDGE OF US\$25 MILLION TO ESTABLISH SPECIAL TRUST FUND TO PROMOTE REGIONAL INTEGRATION AND AN ADDITIONAL US \$5 MILLION TO SPECIAL DEVELOPMENT FUND IN 1975, MAKING TOTAL OF US \$35 MILLION IN GOV DONATIONS. TRINIDAD/TOBAGO ALSO PLEDGED "SUBSTANTIAL" CONTRIBUTION TO "SPECIAL FUND" FOR HELPING LDC'S USE CDB FUNDS AND ASSISTING POORER MEMBERS WITH BALANCE OF PAYMENTS PROBLEMS. MEETING ENDED ON HOPEFUL NOTE THAT ADVENT OF DEMAS WOULD SEE BANK MOVE FORWARD MORE RAPIDLY IN ITS EFFORTS TO FURTHER REGIONAL DEVELOPMENT. END SUMMARY.

1. FOURTH ANNUAL CDB BOARD OF GOVERNORS' MEETING HELD AT ST GEORGE'S, GRENADA MAY 2 AND 3 SAW SEVERAL GOVERNORS, PARTICULARLY DOMINICA PREMIER E.O. LEBLANC, LEVEL CRITICISM AT BANK FOR ITS FAILURE THUS FAR TO MAKE SIGNIFICANT IMPACT ON ECONOMIES OF LDC MEMBERS. CITING BANK'S LOW RATE OF DISBURSEMENT AND ITS "CUMBERSOME AND DOGMATIC" PROCEDURES, LE BLANC AND SOME OTHER LDC MEMBERS EXPRESSED EXTREME IMPATIENCE AT SLOW PACE OF DEVELOPMENT OF MAJOR PROJECTS (E.G. DOMINICA DEEP WATER PORT) AND, WHILE RECOGNIZING ACCOMPLISHMENTS OF SIR ARTHUR LEWIS, EXPRESSED HOPE THAT LDC'S AND OTHERS WOULD SEE "BRIGHTER HORIZON" UNDER NEW LEADERSHIP OF INCOMING PRESIDENT WILLIAM DEMAS. MOST DRAMATIC POINT OF MEETING CAME WHEN VENEZUELA AND TRINIDAD AND TOBAGO PLEDGED UNEXPECTED CONTRIBUTIONS TO BANK -- VENEZUELA US \$25 MILLION TOWARDS ESTABLISHMENT OF SPECIAL TRUST FUND FOR STIMULATING REGIONAL INTEGRATION AND TRINIDAD AN UNSPECIFIED "SUBSTANTIAL" CONTRIBUTION TO A "SPECIAL FUND" TO HELP POORER MEMBERS MEET CDB COUNTERPART FUND REQUIREMENTS AND TO ASSIST THEM OVERCOME BALANCE OF PAYMENTS DIFFICULTIES STEMMING FROM OIL AND FINANCIAL CRISES. VENEZUELA ALSO PLEDGED AN ADDITIONAL US \$5 MILLION TO SPECIAL DEVELOPMENT FUND WHICH, TOGETHER WITH US \$5 MILLION PLEDGED FOR 1974, MAKES GRAND TOTAL OF US \$35 MILLION IN CDB DONATIONS. MEETING ALSO WITNESSED PUERTO RICO'S REITERATING PLEDGE TO "TAKE AS SOON AS POSSIBLE APPROPRIATE STEPS WHICH, IT IS HOPED, WILL LEAD TO FULL MEMBERSHIP..." FRG WAS DISAPPOINTED THAT DM \$16 MILLION LOAN AGREEMENT NOT SIGNED BECAUSE OF COMPARATIVELY STRINGENT CONDITIONS ATTACHED TO GERMAN FUNDS.

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2.2. GOD PREMIER LEBLANC SPEARHEADED CRITICISM OF CDB'S SLOW DISBURSEMENT PACE AND CUMBERSOME LOAN PROCEDURES WITH "SPEECH THAT" STARTED IN REASONED FASHION BUT WHICH SOON GREW OUT OF HAND WITH HIGH DEGREE OF EMOTIONAL INTENSITY. LE BLANC FINALLY CLAIMED THAT CDB WAS "NOT SORT OF BANK WE ORIGINALLY ENVISAGED" AND BLAMED LACK OF PROGRESS ON "SUBTLE AND CONSISTENT (CDB) CONSPIRACY AGAINST (LDC) DEVELOPMENT". LE BLANC SEVERAL TIMES

EXPRESSED ANGER FOR ALLEGED STATEMENTS BY CDB OFFICIALS PLACING BLAME FOR LACK OF PROGRESS ON GOD. OTHERS, NOTABLY GUYANA, ST KITTS/NEVIS/ANGUILLA, BARBADOS, AND JAMAICA ECHOED LEBLANC'S COMPLAINTS ALBEIT IN A MORE SUBDUED FASHION STRESSING NEED TO IMPROVE DISBURSEMENT PACE AND SIMPLIFY PROCEDURES. LENGTHY LEBLANC HARANGUE WAS FORTUNATELY FOLLOWED BY CANADIAN HIGH COMMISSIONER'S BRIEF ADDRESS EMPHASIZING IMPORTANCE OF CDB TO ALL WHO HOPED FOR STABLE AND HEALTHY DEVELOPMENT OF REGION. CANADIAN REP. EXPRESSED VIEW THAT BEST WAY TO HELP CDB ACCOMPLISH OBJECTIVES WOULD BE TO CREATE ATMOSPHERE CONDUCTIVE TO CONSTRUCTIVE CHANGES AND PROGRESS. JUXTAPOSITION OF SPEECHES COULD NOT HAVE BEEN BETTER FOR U.S. OR CDB INTERESTS.

3. VIRTUALLY ALL REPRESENTATIVES EXPRESSED EXTREME PLEASURE OVER DEMAS' ASSUMPTION OF CDB PRESIDENCY TINGED WITH MORE THAN A HINT OF ANXIETY OVER LONG HAITUS UNTIL HIS ARRIVAL. SEVERAL, NOTABLY JAMAICA, (REACTING TO RUMORS THAT DEMAS MAY NOT, AFTER ALL, TAKE JOB) POINTEDLY MENTIONED NEED FOR REASSURANCE THAT CARICOM SEC GEN WILL IN FACT BE NEW CDB PRESIDENT. PM BARROW OF BARBADOS ATTEMPTED TO REASSURE MEETING BY MENTIONING THAT DEMAS HAD SO REASSURED HIM LAST WEEK, EXPRESSING INTENTION TO COME TO CDB AS SOON AS CERTAIN PRESSING CARICOM ISSUES WERE RESOLVED. BARROW SAID HE WAS "SURE" THAT DEMAS HIMSELF WOULD SHORTLY RECONFIRM HIS INTENTIONS. BARROW ALSO NOTED THAT BY NEXT YEAR'S MEETING (IN BARBADOS), CDB WOULD BE HOUSED IN NEW HEADQUARTERS BUILDING AND HE PLEDGED HIS ALL-OUT EFFORTS TO INCREASE HITHERTO SLOW RATE OF DISBURSEMENT. UK REAFFIRMED ITS COMMITMENT TO CDB AND TO CONTINUING CONTRIBUTION OF AT LEAST 0.7 PERCENT OF GNP TO LDC DEVELOPMENT. UK REPRESENTATIVE ALSO POINTED TO 1973 CDB DONOR'S MEETING AS TYPE OF USEFUL EFFORT WHICH SHOULD BE CONTINUED. MOST GOVERNORS EXPRESSED PLEASURE AT SANTIAGO IDB MEETING WHICH TOOK STEPS TOWARD LIMITED OFFICIAL USE

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IDB MEMBERSHIP FOR GUYANA AND GCOB AND TOWARDS MAKING IDB FUNDS AVAILABLE TO NON-INDEPENDENT STATES THROUGH CDB. NOT SURPRISINGLY, ALL WELCOMED VENEZUELAN AND TRINIDAD/TOBAGO'S SPECIAL CONTRIBUTIONS.

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XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20 INT-08 CG-00

DOT-00 COA-02 FEA-02 DRC-01 IO-14 /226 W

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R 081830Z MAY 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 7141

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY NASSAU

AMEMBASSY OTTAWA

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4. VENEZUELAN TRUST FUND COMMITMENT CAME AS COMPLETE SURPRISE TO ALL PRESENT EVEN ACTING PRESIDENT ROY JONES WHO HAD NO IDEA WHAT FINANCE MINISTER H. HURTADO WOULD SAY UP UNTIL FEW MINUTES BEFORE ANNOUNCEMENT. TRINIDAD/TOBAGO PLEDGE WAS LIKEWISE SURPRISE BUT SOME HAD SPECULATED THAT TT WOULD TAKE SOME ACTION OF THIS TYPE. FULL DETAILS OF BOTH PROPOSALS ARE NOT AVAILABLE BUT IT IS CLEAR THAT US\$25 MILLION GOV TRUST FUNDS IS TIED TO PROCUREMENT OF GOODS AND SERVICES IN LATIN AMERICA. GOV FINMIN HURTADO ANNOUNCED THAT PURPOSE OF SPECIAL TRUST FUND WOULD BE STIMULATION OF INTEGRATION BETWEEN LAFTA, LIMITED OFFICIAL USE

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CARICOM AND CACM AND WOULD BE AVAILABLE EXCLUSIVELY FOR THOSE BANK MEMBERS WHICH DO NOT CONTRIBUTE TO SPECIAL DEVELOPMENT FUND FOR FINANCING USE OF NATURAL RESOURCES, AGRICULTURE, INTER-CARIBBEAN TRANSPORT AND TOURISM PROJECTS LEADING TO CLOSER REGIONAL INTEGRATION. GOTT CONCEPTION OF ITS PROPOSED

SPECIAL FUND IS THAT IT WILL SERVE DUAL PURPOSES OF BEING SOURCE OF MONEY FOR CDB COUNTERPART REQUIREMENTS (E.G. 20 PERCENT OF TOTAL LOAN VALUE WHICH CDB REQUIRES LDC'S TO PUT UP) AS WELL AS BEING SOURCE OF COMPARATIVELY LOW COST FUNDS FOR LDC'S WHICH NEED TO RESOLVE BALANCE OF PAYMENTS DIFFICULTIES. GOTT EXPRESSED HOPE THAT OTHER OIL PRODUCERS BOTH WITHIN AND WITHOUT HEMISPHERE WOULD ADD TO ITS SPECIAL FUND.

5. AT APRIL 30 AND MAY 1 DIRECTORS' MEETING, CDB APPROVED WITH SLIGHT AMENDMENTS NEW HOUSING GUIDELINES SUBMITTED BY BANK TO AID PREVIOUSLY IN TWO HOUSING PAPERS. DIRECTORS ALSO SET UP FOR GOVERNORS' SUBSEQUENT APPROVAL ANNUAL AND AUDITOR'S REPORTS, BUDGETARY MATTERS, INCREASE IN AUTHORIZED CAPITAL STOCK, SELECTION OF DIRECTORS AND SITE OF NEXT ANNUAL MEETING. COPIES OF THESE ACTIONS AND RESOLUTIONS BEING SUBMITTED SEPARATELY.

6. DESPITE APPREHENSION BY SOME AS TO VENUE IN GRENADA, PROCEEDINGS AND ADMINISTRATIVE ARRANGEMENTS WENT SMOOTHLY. SOME SPECULATE THAT GRENADA PM GAIRY AND GOG, ANXIOUS TO BRIGHTEN GRENADA'S IMAGE TARNISHED BY RECENT STRIKES AND UNREST, SPARED NO EXPENSE IN EFFORT TO FOCUS REGIONAL ATTENTION ON SUCCESSFUL AND MEANINGFUL CDB MEETING UNDER ITS CHAIRMANSHIP. MEETING WAS CERTAINLY SUCCESSFUL IN SENSE THAT IT ACCOMPLISHED SOME NEEDED ACTIONS TO MAKE CDB OPERATIONS MORE EFFECTIVE AND PROVIDED FORUM FOR HIGH LEVEL EXCHANGE OF VIEWS ON COMMON PROBLEMS AND OPPORTUNITIES. MEETING ALSO SERVED TO PROMOTE SENSE OF REGIONAL UNITY WHICH WAS PARTICULARLY STRENGTHENED BY PARTICIPATION (AND GENEROSITY) OF LATIN AMERICAN FRIEND.

7. COMMENT: DESPITE CRITICISM OF CDB PROCEDURES AND PACE OF DISBURSEMENTS, ALMOST ALL GOVERNORS RECOGNIZED THAT CDB WAS PLAYING UNIQUE AND VITAL ROLE IN REGIONAL DEVELOPMENT AND REPRESENTED BEST HOPE OF ECONOMIC PROGRESS. CDB BOARD OF LIMITED OFFICIAL USE

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DIRECTORS' APRIL 30 ACTION ON SIMPLIFYING AND ADJUSTING ADMINISTRATIVE PROCEDURES AND HOUSING STANDARDS IS, IN FACT, DIRECTLY RESPONSIVE TO SOME CRITICISMS VOICED DURING GOVERNORS' SESSION. MEETING ALSO SERVED TO UNDERLINE IMPORTANCE OF DEMAS' ASSUMPTION OF PRESIDENCY WHICH HAS ENGENDERED HIGH EXPECTATIONS AMONG BOTH DEVELOPED AND LESS DEVELOPED MEMBERS. DEMAS' DECISION TO REMAIN AT CARICOM UNTIL AUGUST 1 HAS MADE MANY NERVOUS ABOUT FUTURE OF BANK AND HAS EVEN GIVEN RISE TO SOME RUMORS THAT CARICOM SECGEN WILL NOT EVENTUALLY TAKE TOP CDB JOB. ALL PRESENT WERE REASSURED ON THIS POINT BY BARBADOS' PM BARROW BUT SOME SORT OF STATEMENT FROM DEMAS RE-AFFIRMING HIS INTENTION WOULD BE WELCOMED BY BANK MEMBERSHIP

AND STAFF. GOVERNORS DID RECOGNIZE AND PAID TRIBUTE TO ACTING PRESIDENT ROY JONES (UNDER WHOSE UNINSPIRED ADMINISTRATION BANK STAFF HAS BEEN CHAFING) REALIZING THAT JONES FILLED TOP POSITION AT MOST DIFFICULT JUNCTURE, FOLLOWING ON HEELS OF SIR ARTHUR LEWIS AT TIME WHEN MOST LOOKED TO BANK FOR PROMPT ACTION ON PAST PROMISES.

8. IN PRIVATE CONVERSATION WITH BRIDGETOWN ECONOMIC/COMMERCIAL OFFICER, FEATHERSTONE, AND AID OBSERVER BARRY SIDMAN, JONES STATED THAT BANK INTENDED TO ASK FRG TO RE-NEGOTIATE TERMS OF ITS LOAN WITH AN EYE TO OBTAINING TERMS MORE IN LINE WITH US/UK/CANADIAN LOANS. JONES ADMITTED THAT LIKELY AVAILABILITY OF IDB AND OTHER MONEY WAS KEY FACTOR IN CDB'S DECISION TO PRESS FRG FOR MORE GENEROUS LOAN CONDITIONS. ON SECONDARY MORTGAGE PROGRAM, JONES REVEALED THAT CDB WOULD SEEK TO REPLACE AID-FUNDED FNMA PROGRAM DIRECTOR RALPH GRUTSCH WITH ANOTHER AMERICAN WITH FNMA EXPERIENCE, ROBERT ELLIS, NOW WORKING FOR ANTIGUA HOUSING AUTHORITY. JONES ALSO SAID THAT CDB WOULD MAKE AVAILABLE AN ACCOUNTANT TO BE RESPONSIBLE FOR SECONDARY MORTGAGE ACTIVITY ALTHOUGH HE MAINTAINED THAT BANK SAW NO NECESSITY TO ASSIGN ACCOUNTANT EXCLUSIVELY TO PROGRAM DIRECTOR.

9. PUERTO RICO AGAIN REITERATED ITS INTEREST IN BANK WITH STATEMENT EXPRESSING ITS INTENTION OF TAKING STEPS THAT IT HOPES WILL LEAD TO FULL MEMBERSHIP. U.S. REPRESENTATIVE NOTED PRIVATELY TO PR OBSERVERS AND CDB SENIOR STAFF THAT EARLIER LEGAL OBSTACLES TO PR MEMBERSHIP YET UNRESOLVED WITHIN USG. COLOMBIAN OBSERVER DECLARED THAT GOC HAD COMPLETED LEGISLATIVE LIMITED OFFICIAL USE

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PROCESSES NECESSARY FOR MEMBERSHIP AND NOW AWAITED ONLY DEPOSIT OF INSTRUMENT OF RATIFICATION OF CDB CHARTER WITH UN SEC GEN.
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Message Attributes

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Draft Date: 08 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Original Classification: LIMITED OFFICIAL USE
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